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# F.W. WOOLWORTH CO.

WOOLWORTH VARIETY STORES



WOOLCO DEPARTMENT STORES



KINNEY SHOE STORES

1966 Annual Report

## WOOLWORTH INTERNATIONAL

F. W. Woolworth Co., Limited, Canada

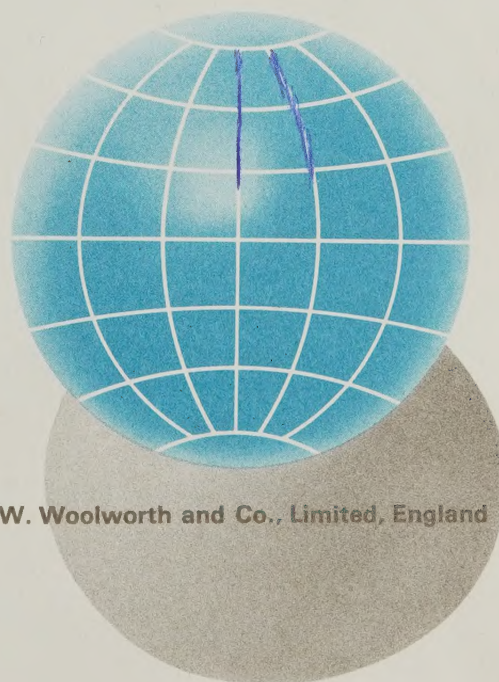
F. W. Woolworth Co., G.m.b.H., Germany

F. W. Woolworth Co., S.A.de C.V., Mexico

F. W. Woolworth (Japan) Ltd.

Woolworth Espanola, S.A.

F. W. Woolworth and Co., Limited, England





# 1966

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*During the fall of 1967 Woolworth Espanola, S. A., is scheduled to open its first store in this new 12-story building of striking Spanish architectural design at 11 Arapiles Street, Sector de Vallehermoso, in the heart of one of Madrid's finest shopping areas. Business complex includes Madrid's leading department store, a supermarket and many quality shops. Woolworth's main floor and basement connected by escalators, provide selling space for merchandise—a mixture of Spanish goods with some imports—a food operation inside the store and a sidewalk cafe. Second floor and sub-basement will be devoted to facilities and stockrooms. The fully air-conditioned structure is progressing steadily toward completion.*









Robert C. Kirkwood

Lester A. Burcham

### To the Shareholders:

The year 1966 was one of growth both at home and abroad for the F. W. Woolworth Co. For the fourth consecutive year all phases of our domestic business registered gains in sales and earnings.

Sales of consolidated companies increased 9.02 per cent to a new high of \$1,573,470,416. This was a gain of \$130,147,950 over the previous record of \$1,443,322,466 in 1965. Net income for 1966 amounted to \$67,700,573, equal to \$2.34 per share. This compares with the net income of \$70,050,121, or \$2.41 per share for 1965, which has been restated as explained in Note B to the Financial Statements.

An increase of 9¢ per share in the earnings of consolidated companies was more than offset by a decrease of 16¢ per share in our equity in the reported income of F. W. Woolworth and Co., Limited, England. Of this decrease, 14¢ per share was the result of a new British withholding tax on dividends effective in April 1966. Despite general austerity measures invoked throughout the United

Kingdom, operating results as reported by the British company reflect only a slight decline in earnings both before and after taxes.

We are pleased to report that the F. W. Woolworth Co. paid \$28,994,793 in dividends during the past year at the rate of \$1.00 per share. The Company now has an unbroken record of 55 consecutive years of dividend payments, going back to 1912 when its shares were first offered to the public. The cumulative total of dividends paid by Woolworth's over the years passed the billion-dollar mark in 1966.

During 1966 the Woolworth organization continued to make a substantial investment in new and larger stores in high-traffic locations, not only in the United States and Puerto Rico but in other countries as well. Expenditures for property additions amounted to \$54,953,710 compared with \$42,484,290 in the previous year. Net property additions totaled \$53,056,737, an increase of \$11,498,505. More than one-half of this increase in expenditures represents expansion in the German company and in Kinney Shoe Corporation.

Such expenditures are tied closely to Woolworth's goal of making its stores the "dominant" ones in their respective areas. Decisions involving the size and

location of new stores, as well as the relocation or improvement of existing outlets, are likewise governed by this same objective of achieving dominance.

Expansion of the Woolco Department Stores Division accelerated across the United States and Canada. Store openings almost doubled the number of Woolco Department Stores in operation to a total of 52. The growth rate is programmed for 25 to 30 new stores each year.

Woolworth Department Stores, smaller than the Woolco Department Stores but incorporating some of their features in addition to those found in large Woolworth's, were launched with three openings in 1966. Seven more are scheduled for opening in 1967.

The year was a most productive one for Kinney Shoe Corporation. New stores and leased departments were opened in the United States and Canada, representing a sizable increase in selling area. Other important additions include a new plant and headquarters office, a new factory at Romney, West Virginia, scheduled for opening in the spring of 1967, and a distribution center to service leased departments is nearing completion. In a further expansion move, Kinney Shoes of Canada, Ltd. acquired the business and facilities of The T. Sisman Shoe Company Limited, including a modern factory, and also opened a combined retail headquarters and warehouse. We have equally ambitious plans for the Kinney Shoe operation in the year ahead.

Overseas, Woolworth Espanola, S.A. and F. W. Woolworth (Japan) Ltd. began



import and export operations with encouraging results. The Spanish company expects to open its first retail store in Madrid during 1967. F. W. Woolworth and Co., Limited, England, has announced the 1967 opening of a Woolco Department Store in a shopping center near Leicester, England.

In the interest of operating efficiency and economy, the domestic Woolworth organization closed its New England Regional Office as of December 31st and consolidated the office personnel with those of other Regions.

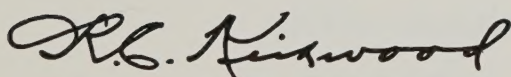
Your Management wishes to take this opportunity to thank all its employees, both here and abroad, and its suppliers throughout the world, for their helpful and loyal cooperation in furthering the objectives toward which we all strive.

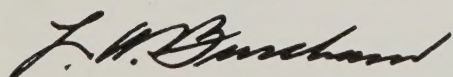
We are especially proud to report that more than 11,000 employees have availed themselves of the opportunity to participate in our new Stock Purchase Plan approved by shareholders at the 1966 annual meeting.

Sound and aggressive expansion programs place us in an excellent competitive position. Management is confident that growth will continue in all areas, and it looks forward to a very good year in sales and profits.

On behalf of the Board of Directors,

Respectfully submitted,

  
Chairman of the Board

  
President

## Consolidated Statistics in Brief

|                                                                                                         | 1966            | 1965            | 1964            |
|---------------------------------------------------------------------------------------------------------|-----------------|-----------------|-----------------|
| <b>For the year:</b>                                                                                    |                 |                 |                 |
| Sales . . . . .                                                                                         | \$1,573,470,416 | \$1,443,322,466 | \$1,338,365,954 |
| Income of consolidated companies .                                                                      | \$ 37,546,359   | \$ 35,030,320   | \$ 33,268,850   |
| Equity in income of F. W. Woolworth and Co., Limited, England . . .                                     | \$ 30,154,214   | \$ 35,019,801*  | \$ 24,524,640   |
| Total net income . . . . .                                                                              | \$ 67,700,573   | \$ 70,050,121*  | \$ 57,793,490   |
| Taxes: federal, state and local . .                                                                     | \$ 68,822,934   | \$ 67,098,509   | \$ 62,956,897   |
| Depreciation and amortization . .                                                                       | \$ 35,050,625   | \$ 33,683,678   | \$ 32,002,091   |
| Capital expenditures . . . . .                                                                          | \$ 54,953,710   | \$ 42,484,290   | \$ 38,107,307   |
| <b>At the end of the year:</b>                                                                          |                 |                 |                 |
| Working capital . . . . .                                                                               | \$ 254,178,080  | \$ 250,813,843  | \$ 235,514,380  |
| Long-term debt . . . . .                                                                                | \$ 143,877,405  | \$ 148,738,723  | \$ 154,268,886  |
| Shareholders' equity in net assets .                                                                    | \$ 657,554,371  | \$ 624,233,050* | \$ 583,293,747  |
| Number of shareholders of record .                                                                      | 123,350         | 113,138         | 98,539          |
| <b>Per share:</b><br><i>Based on the weighted average number of shares outstanding during the year.</i> |                 |                 |                 |
| Net income . . . . .                                                                                    | \$ 2.34         | \$ 2.41*        | \$ 1.99         |
| Taxes . . . . .                                                                                         | \$ 2.37         | \$ 2.30         | \$ 2.16         |
| Dividends . . . . .                                                                                     | \$ 1.00         | \$ 1.00         | \$ .97          |
| Shareholders' equity . . . . .                                                                          | \$22.69         | \$21.44*        | \$20.04         |

\*1965 restated, see Note B on page 29.

February 14, 1967



## Financial Review

This report discloses the results of the operations of F. W. Woolworth Co. and its consolidated subsidiaries for the year ended December 31, 1966 and its equity in the results of operations for the year of the unconsolidated British subsidiary. Summary financial data on foreign subsidiaries is presented on page 28.

### Sales

Sales for the year established a new record. Sales of consolidated companies for 1966 amounted to \$1,573,470,416, an increase of \$130,147,950 or 9.02% over 1965. Sales of consolidated companies of \$267,784,230 for the month of December also set a record high exceeding December sales of last year by \$21,933,816 or 8.92%. The Company and its consolidated subsidiaries were operating 3,166 stores and 79 Kinney leased departments on December 31, 1966.

### F. W. Woolworth and Co., Limited, England

The British company's income before taxes was \$108,329,662 in 1966 compared with \$109,880,809 last year. The reported net income in 1966 was \$64,309,809 compared with \$65,464,112 in 1965. The British company's earnings for 1965 have been restated to provide for British corporate taxes at the final rate of 40% which the Government established in May 1966; the provision for taxes was originally calculated based on an estimated rate of 35%. (See Note B to Financial Statements.) As a result of this restatement, the Company's equity in earnings of the British company for 1965 was reduced by \$2,951,200. The Company's equity in the earnings of the British company in 1966 amounted to \$30,154,214 compared with \$35,019,801 for 1965, as restated. The 1966 equity in the British company's earnings was adversely affected as compared to 1965 by a new withholding tax in 1966 on dividends to the parent Company which caused a reduction in such equity of \$3,939,571, or 14¢ per share. The Company's investment in this unconsolidated subsidiary is carried at \$172,167,876 determined under the equity method of accounting as described in Note A to Financial Statements.

### Net Income

Net income for the year amounted to \$67,700,573 equal to \$2.34 per share compared with the restated amount of \$70,050,121 equal to \$2.41 per share for the year 1965. (See Note B to Financial Statements.)

### Dividends

Dividends for the year amounted to \$28,994,793. There are 28,894,018 shares of capital stock outstanding exclusive of 355,982 treasury shares. There were 123,350 shareholders at the end of 1966. Dividends have been paid without interruption for the past 55 years, ever since the Company became a public corporation in 1912.

### Taxes

The provision for federal and foreign government taxes on income including deferred income taxes amounted to \$28,730,000. Other 1966 taxes paid or accrued were local real estate and personal property taxes of \$15,425,102, social security and unemployment taxes of





\$14,081,106 and various miscellaneous taxes of \$10,586,726.

Taxes paid by the Company's unconsolidated subsidiary, F. W. Woolworth and Co., Limited, England, are not included in the above.

### Financial Condition

A summary of changes in working capital is shown on page 29. Your Company continues to be in a strong financial condition with current assets at December 31, 1966 of \$388,347,537 and current liabilities of \$134,169,457.

Expenditures for property additions for the year 1966 amounted to \$54,953,710 compared with \$42,484,290 in 1965. Net property additions amounted to \$53,056,737, an increase of \$11,498,505 over 1965, after giving effect to sales and retirements of fixed assets.

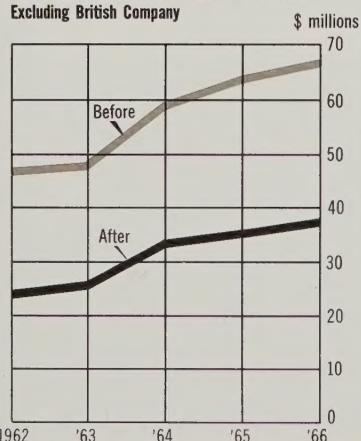
Merchandise inventories at year end amounted to \$287,113,780, an increase of \$26,872,278 over the preceding year. Stock levels at December 31, 1966 are considered satisfactory.

The historical record of the Company and its subsidiaries for the past five years appears on page 31.

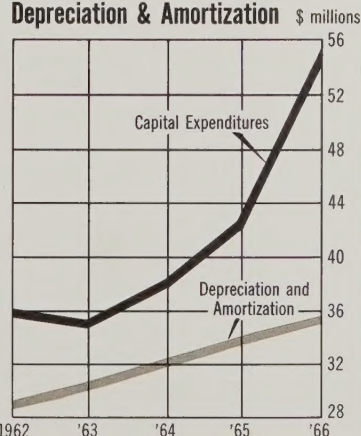
### Store Record

|                                      | In Operation<br>December 31,<br>1965 | Opened<br>1966 | Closed<br>1966 | In Operation<br>December 31,<br>1966 |
|--------------------------------------|--------------------------------------|----------------|----------------|--------------------------------------|
| <b>Woolworth's</b>                   |                                      |                |                |                                      |
| United States and<br>Puerto Rico . . | 2,095                                | 28             | 52             | 2,071                                |
| Canada . . . . .                     | 278                                  | —              | 7              | 271                                  |
| Germany . . . . .                    | 118                                  | 4              | 1              | 121                                  |
| Mexico . . . . .                     | 10                                   | 1              | —              | 11                                   |
| <b>Total . . .</b>                   | <b>2,501</b>                         | <b>33</b>      | <b>60</b>      | <b>2,474</b>                         |
| <b>Woolco</b>                        |                                      |                |                |                                      |
| United States . .                    | 18                                   | 17             | —              | 35                                   |
| Canada . . . . .                     | 9                                    | 8              | —              | 17                                   |
| <b>Total . . .</b>                   | <b>27</b>                            | <b>25</b>      | <b>—</b>       | <b>52</b>                            |
| <b>Kinney</b>                        |                                      |                |                |                                      |
| United States                        |                                      |                |                |                                      |
| Stores . . . . .                     | 632                                  | 40             | 34             | 638                                  |
| Leased Depts. .                      | 21                                   | 43             | 2              | 62                                   |
| Canada                               |                                      |                |                |                                      |
| Stores . . . . .                     | —                                    | 2              | —              | 2                                    |
| Leased Depts. .                      | 9                                    | 8              | —              | 17                                   |
| <b>Total . . .</b>                   | <b>662</b>                           | <b>93</b>      | <b>36</b>      | <b>719</b>                           |
| <b>Consolidated<br/>Companies</b>    |                                      |                |                |                                      |
| <b>Total . . .</b>                   | <b>3,190</b>                         | <b>151</b>     | <b>96</b>      | <b>3,245</b>                         |
| <b>Woolworth's (England)</b>         |                                      |                |                |                                      |
|                                      | 1,119                                | 9              | 2              | 1,126                                |
| <b>Grand total</b>                   | <b>4,309</b>                         | <b>160</b>     | <b>98</b>      | <b>4,371</b>                         |

**Income before and after taxes**  
Excluding British Company



**Capital Expenditures**  
**Depreciation & Amortization**





Woolworth's continued to give the closest attention to nationwide population shifts, exploding suburbs, urban renewal, different consumer income patterns and changes in buying trends. Customer research studies developed factual, useful information on what the consumer desires so we can respond with greater speed and accuracy.

In today's affluent America, customers are using their greater discretionary income to buy better quality. New products are increasing store dimensions to accommodate big ticket items and fashion apparel. The demand for convenient, one-stop shopping, encouraged by the wide use of cars and easy access to shopping centers, is being met with a wider array of goods under one roof. Economic as well as social factors encourage the big store trend.

Woolworth's is capitalizing on shoppers' preference for retail bigness.

More and more big new Woolworth stores, Woolco Department Stores and Kinney Shoe Stores are being opened coast to coast in big regional shopping centers and in high traffic locations. Never have we offered the customer such a broad selection of products and services for every age group and for the entire home.

The effectiveness of our exhaustive site-selection studies is evidenced by the high volume results from new outlets

opened. Stores moved to new locations, and stores refurbished and expanded in their same locations show a gratifying increase in sales per store.

This year, to fill a need ascertained by our consumer research, Woolworth Department Stores came into existence. In concept and purpose, they bring the attributes of a dominant Woolworth's and some selected services of a Woolco Department Store within the economic reach of smaller rural cities. Three were opened: in Sheridan, Wyoming; Marshfield, Wisconsin and Duncan, Oklahoma. Seven more of these Woolworth Department Stores are to be opened during 1967.

### **Expansion and Modernization**

The Company's expansion and modernization is powered, of course, by our position of leadership as the world's largest variety chain. Expansion is in the direction of size and quality of location rather than in number of stores. Metropolitan areas will continue to make population gains above the overall U.S. averages. The dramatic population growth in suburban communities brings a need for corresponding growth in retail operations. This gives Woolworth's a wealth of opportunities for the establishment of new, dominant stores that can offer a wider range of articles that today's consumers regard as necessities.

The average size of new Woolworth's opened in 1966 is close to 40,000 square





New 61,360 square foot store in Midway Mall Shopping Center, Elyria, Ohio, exemplifies Woolworth's emphasis on quality and fashion in spacious, modern settings. Panel-type lighting, and wall decor featuring colorful backgrounds with department identity, add to upgraded atmosphere. This and other new Woolworth's are designed to be the largest and most attractive stores of their kind in selected areas.





feet, whereas a decade ago a newly opened store averaged 15,000 square feet. During the year the Company opened 28 new Woolworth stores in the United States and Puerto Rico, closed 52 stores, enlarged and re-opened seven stores in new locations, and enlarged 11 in same locations. As of December 31, 1966 United States-Puerto Rico operations totaled 2,071. In 1967, 21 new dominant-type variety stores will be opened and fifteen stores will be enlarged. Seven Woolworth Department Stores are planned.

During the first 75 years of Woolworth's penetration into the nation's cities, towns and villages, it was highly advantageous to locate in a neighborhood's busiest block. Today Woolworth's, designed and equipped with every modern convenience demanded by this generation of sophisticated shoppers, will still be found in the "busiest block"—downtown, in regional shopping centers, in neighborhood retail marketing centers.

### **Quality and Fashion**

The thousands of staples that have led generations of customers to "try Woolworth's first" are kept as up-to-date as today's technology. To them have been added new and expanded lines of quality merchandise from the world's most respected manufacturing plants, through the imagination and experience of our buyers and merchandisers and their alertness to new situations and new opportunities.

Leading the parade of our upgrading is fashion merchandise, particularly wearables and footwear for the entire family.

Keeping pace are upgraded lines of rugs, draperies, lamps, housewares, appliances, garden supplies, pet supplies, radios and stereos.

### **Emphasis on Youth**

Woolworth's is committed to the strength of the youth market where new product demands are rapidly accelerating. Our Company already is the nation's largest seller of phonograph records. Today, casual apparel is offered in an amazing number of lines to satisfy the fashion demands of teen-agers in virtually every whim and mood of personal expression. Woolworth's is the "in" place for casuals—also for the fad jewelry, games and accessory novelties to which teen-agers are attracted. As consumers of 27 per cent of the entire cosmetic market, they make a sizable contribution to our multi-million dollar sales of beauty items.

Customer service attractions of related merchandise are prominently featured in bath shops, sewing centers, boys' and men's shops, paint shops and headquarters for home-school-office supplies.

### **Private Brands**

Upgrading of quality without sacrificing our competitive price level is being accomplished with the development of superior Woolworth private brands to cover an ever-growing number of items. The classic example of success is our "Primrose" misses and ladies hosiery line. "Primstyle" fashions, lingerie and accessories have won a loyal following, and lines with feminine appeal are being added for greater breadth and depth. "Pata-Cake" has come to symbolize almost everything in infants' wear and accessories. In boys' and men's wear,

"Topsall" has established its reputation. And perhaps our most striking customer service in the variety field has been with "Happy Home"—an identification that is bringing forth many hundreds of household items. Newly added as a Woolworth label is "Audition," covering everything in the music department except chord organs and records. The Company features 12 private brands.

Our own packaging specialists have created a number of arresting colorful designs that bring distinction to Woolworth's private brands. They have succeeded in combining package durability, better protection for merchandise, trademark recognition and consumer convenience in handling. Wherever our private brands are displayed side-by-side with national brands, the superior quality of Woolworth packaging provides visual evidence of upgrading throughout our stores.

### **Food**

On page 13 is pictured our Harvest House dining room in the Elyria, Ohio covered air-conditioned mall shopping center. It is typical of the direction the food department has taken as an integral part of the dominant store program. The growing number of restaurants, snack bars and Harvest House cafeterias continues to add stature to Woolworth's leadership as the nation's largest pur-



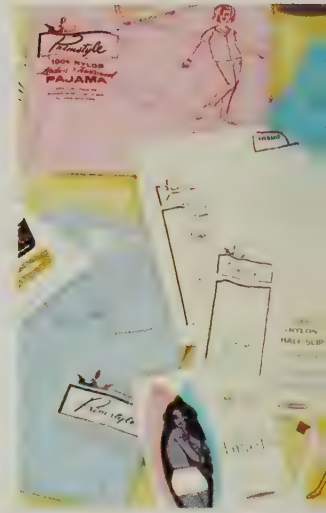


*These typical teenagers are completely clothed in apparel from Woolworth's ready-to-wear and accessory departments. The phonograph, television, records, musical instruments, games, novelties and "rumpus room" decorations also came from Woolworth's. By catering to the youth market, our stores have become "in" places.*



Woolworth's private brands, equal in value or better than comparable merchandise, are distinctively packaged in modern materials of appealing design. New items are being added to keep pace with consumer acceptance as indicated by a steadily increasing volume of sales.

HAPPY HOME Home furnishings and housewares



PRIMROSE Nylon hosiery and socks

AUDITION Record players, radios and musical instruments



TOPSALL Men's wear and boys' wear

WOOLWORTH'S Christmas decorations



HOME-COTE Paints, cleaners and room deodorants





**PRIMSTYLE** Fashions, lingerie and accessories



**PATA-CAKE** Infants' wear and accessories



**FIFTH AVENUE** Correspondence stationery



**HERALD SQUARE** Office and school supplies



veyor of food prepared and served on the premises. At year-end, 93,000 patrons could be served at a single sitting, and more than a million customers are fed each day.

Convenience and comfort is the order of the day. Tasteful decor prevails with soft lighting effects. A most popular innovation is the creation of counter-service "kiosks" just outside our stores in malls where the traffic flow is heaviest. Thus far, each "kiosk" is of unique, individual design in keeping with its architectural surroundings.

Our goal in the future is to increase the number of locations where all types of food service can be offered. As of December 31, 1966 there were 1,754 food units in the U.S. and Puerto Rico.

## Advertising

The products we sell are kept constantly before the public by means of our nationwide advertising schedules in more than 1,100 newspapers that virtually saturate our markets. The Company's utilization of approximately 83-million



Typical Woolworth's "Primrose" nylon hosiery counter-display.



Upgraded and complete lines of bathroom accessories are now available at "bathshops" in large new Woolworth's. The shop concept of bringing related merchandise together for customer convenience is being incorporated in more and more stores.





*The spacious size of new, enlarged and modernized stores in high traffic locations has made possible the extensive expansion of Woolworth's home, school and office supplies department.*

*Woolworth's cheerfully lighted Plymouth Grille "kiosk" of contemporary design, stands just outside the new, two-level store in the air-conditioned mall of the Plymouth Meeting, Pa., Shopping Center. Entrance to Woolworth's Plymouth Restaurant is through the store and adjacent is a Harvest House cafeteria.*

*In the Elyria, Ohio, Midway Mall Shopping Center, Woolworth's Harvest House cafeteria with carpeting, upholstered armchairs, spacious tables and tasteful lighting is a popular place for family dining.*



lines annually places us among the leading advertisers in the entire retail field. In most instances Woolco Department Stores are one of the foremost, if not the leading, advertisers in their communities. Kinney Shoe Corporation also has made extensive use of radio and television in addition to fashion advertising in national magazines with mass circulation.

During the year 1966, closer coordination of advertising with buyers, merchandisers and store management teams was achieved. Results were strikingly apparent in the vast and changing trends of the youth market. Traditional seasonal promotions were given the heavy emphasis that has produced high volume over the years. Greater allocations were given to the promotion of private brands in keeping with their greater breadth and depth.





## Woolco

The Woolco Department Stores Division grew from 27 stores in operation in January 1966 to 52 stores in operation at year end. The pattern of expansion exemplifies the careful research that has preceded each site selection. The policy of opening Woolco Department Stores in shopping centers has continued as illustrated in the accompanying list of locations in the United States and Canada. An example of those developed recently is the mammoth 100 Oaks Shopping Center in Nashville, Tennessee. This is one of the largest regional shopping center developments in the South. When completed in the fall of 1967, it will have over 800,000 square feet of shopping facilities. The Woolco Department Store which opened there on November 16, 1966 is in the 140,000 square foot range with complete department store facilities, all on one floor.

Many cities already have more than one Woolco Department Store. Three are in Columbus, Ohio which is the location of the first Woolco Department Store opened in 1962; two are in Denver, Colorado; two in Memphis, Tennessee; two in Phoenix, Arizona; two in Louisville, Kentucky and two in Calgary, Alberta. In 1967, second stores will open



*Top: Woolco's 140,000 square foot store, one of the first and largest to open in the 100 Oaks Shopping Center in Nashville, Tenn., will be celebrating its first anniversary by the time this vast complex is completed in the fall of 1967.*

*Bottom: Wide, unobstructed aisles are main thoroughfares in every Woolco Department Store, enabling customers to move freely on a single floor.*







Right: Woolco Department Stores are located in large regional shopping centers throughout the U.S. and Canada, all with ample parking space such as this one in San Antonio, Texas.

Bottom Right: A typical Woolco Department Store Management Team and sales organization, all dedicated to superior customer service.





## Woolco Department Stores

### Opened to date

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1962</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Great Southern Shopping Center<br>Columbus, Ohio<br>Nickel Range Plaza<br>Sudbury, Ontario<br>Gateway Plaza<br>Windsor, Ontario                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Graceland Shoppers Mart<br>Columbus, Ohio<br>Hamilton Mountain Plaza<br>Hamilton, Ontario<br>Azalea Mall<br>Richmond, Virginia                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Brantford Shopping Centre<br>Brantford, Ontario                                                                                                                                                                                                                                                                                                                                |
| <b>1963</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (Adjacent to<br>Westminster Shopping Center)<br>Westminster, Colorado                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | (Adjacent to<br>Westside Shopping Center)<br>Gretna, Louisiana                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Hayden Plaza East<br>Phoenix (Tempe), Arizona                                                                                                                                                                                                                                                                                                                                  |
| <b>1964</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Parkdale Plaza<br>Corpus Christi, Texas<br>Hayden Plaza West<br>Phoenix, Arizona                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        | Cape Breton Shopping Plaza<br>Sydney River, Nova Scotia<br>Westbrook Shopping Mall<br>Calgary, Alberta                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | Eastgate Shopping Center<br>Memphis, Tennessee<br>Saanich Shopping Centre<br>Victoria, British Columbia                                                                                                                                                                                                                                                                        |
| <b>1965</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Southgate Shopping Center<br>Memphis, Tennessee<br>345-55 Queen Street East<br>Sault Ste. Marie, Ontario<br>Shreve City Shopping Center<br>Shreveport, Louisiana<br>Gateway Shopping Center<br>Columbus, Mississippi                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    | Sunset Plaza<br>Sioux City, Iowa<br>Great Western Shopping Center<br>Columbus, Ohio<br>Charleston Plaza<br>Las Vegas, Nevada<br>Aurora Plaza<br>Denver (Aurora), Colorado                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 220 Third Avenue South<br>Wisconsin Rapids, Wisconsin<br>Indian Trail Trading<br>Post Shopping Center<br>Louisville, Kentucky<br>Northgate Mall<br>Regina, Saskatchewan                                                                                                                                                                                                        |
| <b>1966</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Wesmark Plaza<br>Sumter, South Carolina<br>Plaza North Shopping Center<br>Terre Haute, Indiana<br>Northland Plaza<br>DeKalb, Illinois<br>Granby Plaza<br>Granby, Quebec<br>Mid State Mall<br>East Brunswick, New Jersey<br>Argyle Shopping Mall<br>London, Ontario<br>Southroads Mall<br>Tulsa, Oklahoma<br>Capilano Shopping Plaza<br>Edmonton, Alberta<br>Pleasantville Shopping Center<br>Pleasantville, New Jersey                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | Frederick Shopping Center<br>Frederick, Maryland<br>Hamilton West Shopping Center<br>Hamilton, Ohio<br>Kinston Plaza<br>Kinston, North Carolina<br>Place Portobello<br>Brossard (Montreal), Quebec<br>Crossroads Mall<br>Roanoke, Virginia<br>Palm Coast Shopping Center<br>West Palm Beach, Florida<br>Blue Grass Manor Shopping Center<br>Louisville, Kentucky<br>Agincourt Mall<br>Scarborough, Ontario<br>Lauderhill Mall<br>Fort Lauderdale, Florida                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Town & Country Shopping Center<br>Springfield, Illinois<br>100 Oaks Shopping Center<br>Nashville, Tennessee<br>MacLeod Mall<br>Calgary, Alberta<br>Crossroads Shopping Centre<br>Transcona (Winnipeg), Manitoba<br>North Town Mall<br>Dallas, Texas<br>(Adjacent to<br>Wonderland Shopping Center)<br>San Antonio, Texas<br>Rock Forest Shopping Centre<br>Rock Forest, Quebec |
| <b>To open during 1967 and 1968</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                |
| McAlpin Square<br>Savannah, Georgia<br>Tryon Mall<br>Charlotte, North Carolina<br>Towne & Country Shopping Center<br>Temple, Texas<br>Sun Valley Shopping Center<br>Harlingen, Texas<br>Western Plaza<br>Amarillo, Texas<br>Gateway Mall<br>St. Petersburg, Florida<br>Northside Shopping Center<br>Dothan, Alabama<br>Queensgate Shopping Center<br>Charlotte, North Carolina<br>South Park Mall<br>San Antonio, Texas<br>Broad Acres Shopping Center<br>Hattiesburg, Mississippi<br>Bowling Green Mall<br>Bowling Green, Kentucky<br>Bell Tower Shopping Center<br>Greenville, South Carolina<br>Eastbrook Shopping Center<br>Grand Rapids, Michigan<br>(Adjacent to<br>Big Town Shopping Center)<br>Dallas (Mesquite), Texas<br>South Gate Mall<br>Muscle Shoals, Alabama<br>Penn 74 Mall<br>Oklahoma City, Oklahoma | Blue Hen Mall<br>Dover, Delaware<br>Westown Shopping Center<br>Salt Lake City (Granger), Utah<br>Circle East Shopping Center<br>Colorado Springs, Colorado<br>Stewart-Lakewood Shopping Center<br>Atlanta, Georgia<br>Gordon Mall<br>Augusta, Georgia<br>(New Shopping Center)<br>Summit & Bessemer Aves.<br>Greensboro, North Carolina<br>Center Mall<br>Omaha, Nebraska<br>Parker Square Shopping Center<br>Wichita Falls, Texas<br>College Square Shopping Center<br>Cedar Falls, Iowa<br>Barracks Road Shopping Center<br>Charlottesville, Virginia<br>Magnolia Mall<br>Natchez, Mississippi<br>McFarland Mall<br>Tuscaloosa, Alabama<br>Frontenac Mall<br>Kingston, Ontario<br>Fairview Park Shopping Centre<br>Kitchener, Ontario<br>Centennial Village Shopping Centre<br>Edmonton, Alberta<br>(New Shopping Center)<br>Hwy. #8 & Montreal Autoroute<br>Laval (Montreal), Quebec | (New Shopping Center)<br>Dollard Ave. & Newman Ave.<br>Ville La Salle (Montreal), Quebec<br>Eastown Shopping Centre<br>Windsor, Ontario<br>(New Shopping Center)<br>Quatre Bourgeois & Duplessis Blvd.<br>Ste. Foy (Quebec City), Quebec<br>Grant Park Plaza<br>Winnipeg, Manitoba<br>Avalon Mall<br>St. John's, Newfoundland<br>Northgate Shopping Centre<br>North Bay, Ontario<br>(New Shopping Center)<br>Marine Drive & Winch Ave.<br>North Vancouver, British Columbia<br>(New Shopping Center)<br>Merivale Rd. & Meadowland Drive<br>Ottawa, Ontario<br>(New Shopping Center)<br>Cameron Rd. & Highway #11<br>Hull, Quebec<br>(New Shopping Center)<br>Boulevard De La Mairie & The Autoroute<br>Tracy, Quebec<br>(New Shopping Center)<br>Loch Lomond & Slaughterhouse Rds.<br>Saint John, New Brunswick<br>(New Shopping Center)<br>Hwy. #2 & Thickson Rd.<br>Oshawa, Ontario<br>(New Shopping Center)<br>Mayor Magrath Dr. & 20th Ave.<br>Lethbridge, Alberta |                                                                                                                                                                                                                                                                                                                                                                                |

— and more to come



Woolco Department Stores are constantly adding new features such as plumbing and heating supplies for home improvement, and juvenile furniture for growing families, in keeping with customer needs in each community. Sporting goods departments have been expanded to include boats, tents and full lines of camping equipment in regions where leisure time is largely devoted to outdoor living. A wide range of pool tables and other equipment for indoor sports is now available.











in Dallas, Texas; Windsor, Ontario; San Antonio, Texas; Montreal, Quebec; Edmonton, Alberta; and other multi-store operations are planned.

Personnel development for the new Woolco Department Stores was accelerated during 1966 and complete organizations of trained personnel have been developed for each Woolco Department Store. These organizations are led by a Management Team, headed by an experienced General Manager and a corps of well-trained, experienced Division and Department Managers. The objective is to bring a "new fashion in modern retailing" to communities in the United States and Canada through complete departments as comprehensive as fashions for all the family, fine jewelry, household wares, color television, wall-to-wall carpeting and complete lines of national brand quality merchandise in sporting goods, cameras and many others. In addition, merchandise lines have been expanded in many Woolco Department Stores to encompass such new departments as electronics, camping equipment, home improvement supplies and hobby centers.

A strong program for 1967 and 1968 for more Woolco Department Stores in the United States and Canada is underway, and all of these stores will be in major shopping complexes.

## Kinney

In 1966, Kinney Shoe Corporation established its 23rd consecutive annual sales record. Acquired by Woolworth in 1963, it continues to broaden the base of domestic manufacturing and selling operations, moving at an accelerated pace into the leased department retail field.

In the United States, Kinney opened 83 new retail units and closed 36, for a net gain of 47. Two stores were relocated and 43 were extensively remodeled. To its 21 leased departments of a year ago, Kinney added 43, closed two, and was operating 62 leased departments in large, outstanding stores on December 31, 1966. Kinney's total of 700 units are located in 47 states and the District of Columbia.

To support this retail growth and additional expansion planned for the near future, Kinney's manufacturing division opened a new headquarters office and plant in Carlisle, Pa., converted its former headquarters office into a manufacturing warehouse, and started construction of a new factory scheduled for opening in the spring of 1967 at Romney, West Va. Now nearing completion in Mechanicsburg, Pa., is a 165,000 square foot distribution center, most of which will be devoted to servicing the leased department operation.

During the year Kinney embarked upon an innovation featuring young ladies' active sportswear called "Casual Circles." These boutiques were placed in 11 carefully chosen stores having physical di-

*Kinney leased departments are designed to be a "store within a store," distinctive by Kinney standards and color-coordinated with each department store's overall decor.*

*"Casual Circles," with nationally advertised brands of young ladies' active sportswear, have won quick popularity in Kinney stores where custom units of identical design could be advantageously installed, and more are being opened.*

*The new Kinney Store in Guildford Town Centre, Surrey, British Columbia, offers Canadian customers shoes and accessories in the finest retailing atmosphere.*



mensions appropriate to their custom-designed units. Immediate customer acceptance of the initial installations prompted the decision to expand them threefold in orderly fashion in 1967.

Kinney Shoes of Canada, Ltd., established in 1965 with operations in nine stores, achieved such popularity among Canadians that 10 units were added during the year just ended, bringing the total to 19. To serve its growing retail needs, The T. Sisman Shoe Company Limited with a factory in Aurora, Ont., was acquired. Sisman is one of Canada's most respected names in the industry as a maker of men's and boys' shoes since 1900. A combined retail headquarters office and warehouse was opened in Toronto in April 1966.

### **Personnel**

Last year's annual report of operations dwelt at length upon the Company's manpower resources and personnel program. Every phase of recruitment and training is being pursued and kept up-to-date. Recruiting teams are in the field on an endless schedule with increasing attention to attracting management trainees from colleges and universities. They visited 309 institutions in 1966. As the year ended, more than 2,700 personnel of potential management caliber were enrolled in the most intensive training courses.

Meanwhile no effort is being spared to employ experienced and competent sales personnel in keeping with the character of our new stores—Woolworth's, Woolco and Kinney. All are given the most modern, effective sales training to render superior customer service.

### **Efficiency—Automation**

Increasing attention is being devoted to reducing costs and increasing efficiency of operations through the expanded use of electronic data processing equipment. Computers are being used more extensively for the automatic re-ordering of merchandise, not only to save time and reduce expenses, but also to relieve Managers of one of their most time-consuming tasks. Each year more sophisticated computer usage results in additional accomplishments. A large potential remains in such vital areas as sales analysis, sales forecasting and market research.

### **Public—Community Relations**

Continuing efforts to earn the public's high regard are as broadly based as the number of Woolworth-Woolco-Kinney stores due to the impact of our far-flung operations on the well-being of communities, the nation at large and the public interest.

At the community level, the Company's good neighbor policy can be measured by the employment we provide, our record as an equal opportunity employer, the dimensions of our construction programs and the active par-

ticipation of Woolworth-Woolco-Kinney people in community efforts to improve conditions.

At the national level, Woolworth's takes a lively interest in supporting such youth organizations as Junior Achievement, 4-H Club Foundation, National Merit Scholarship Foundation, United Negro College Fund, and the Boy Scouts of America. During the year, management accepted every opportunity to advance the superiority of the free enterprise system, to cooperate more closely with educators at all levels and to engage more widely in social programs aimed at efforts to improve human well-being.

The 1966 Annual Meeting of Shareholders was convened in San Francisco. It was the first such session ever held in a location other than Watertown, N. Y. since the Company's stock was offered to the public in 1912. This innovation was so well received that annual meetings will be rotated throughout the country.

Your Company has been expanding and diversifying, enlarging the average store size, upgrading lines of merchandise and adding new lines in a determined effort to meet the changing demands of the consumer.

Aggressive expansion is the key to successful retailing in the current economic climate. We are in an excellent competitive position and expect to make a good showing in the year ahead.



## Review of International Operations

F. W. Woolworth Co., Limited, Canada  
F. W. Woolworth Co., G.m.b.H., Germany  
F. W. Woolworth Co., S.A.de C.V., Mexico  
F. W. Woolworth (Japan) Ltd.  
Woolworth Espanola, S.A.

F. W. Woolworth and Co., Limited, England

### Program of Expansion

Foreign subsidiaries of the F. W. Woolworth Co. continued their pattern of growth during 1966, and the scope of your Company's international operations was broadened in Spain and Japan following the establishment of corporate identity in 1965 as previously reported.

**Woolworth Espanola, S.A.** opened offices on February 4, 1966 in the Torre de Madrid, Spain. A program for the development of an import and export division

was immediately inaugurated with results that are encouraging thus far. On February 1, 1967, announcement was made of the leasing and location of the Spanish subsidiary's first store. It will occupy 41,000 square feet of space being constructed to Woolworth's specifications in the new building of modern design illustrated on page one. The location, one of Madrid's landscaped high traffic shopping complexes, is scheduled to be ready for the store to open in the

fall of 1967. Many other locations in Spain have been surveyed and further development is planned.

**F. W. Woolworth (Japan) Ltd.** opened offices in Tokyo on February 26, 1966, completing the first step in the formation of an import and export trading company. Evaluation of the results achieved in Japan during 1966 indicates the existence of opportunities for carefully conceived expansion in a promising field where your Company can capitalize quickly on its vast knowledge of international markets.

### F. W. Woolworth Co., Limited, Canada

On the occasion of Woolworth's grand re-opening of the store on King Street East on March 9, 1966, after extensive renovation and modernization, the **HAMILTON, Ont., SPECTATOR** ran a four-column headline: "Only the Sign is the Same." It was an accurate description of the Canadian company's expansion program for the year.

In six locations, the enlargement of existing stores virtually doubled the selling space available to customers. Seven stores were closed.

Outstanding among these examples of bringing leadership to community growth is Woolworth's at St. Johns, Nfld., where the store today is almost five times as large as it was a year ago. This massive 137,569 square foot mercantile establishment is a showcase for the new and expanded lines of Canadian manufacture offered by Woolworth's throughout the Dominion.



*Canadian Woolworth's store in St. Johns, Nfld., enlarged fivefold during the year, is a showcase for upgrading of stores, merchandise and customer service throughout the Dominion.*



*This Woolworth's in a German community of about 40,000 population offers upgraded lines in expanded departments, and a grill.*

In 1967, five stores will be enlarged in present locations, two stores will be enlarged in new sites, and one new store is in prospect.

Woolco Department Stores opened eight units in heavily populated Ontario and Quebec, and in the western provinces. A similar pattern of expansion is blueprinted for 1967.

F. W. Woolworth Co., G.m.b.H.,  
Germany

Larger stores offering upgraded lines of merchandise gained in popularity among West German consumers during 1966. The German company apportioned its efforts about equally between expansion and modernization by opening four new stores, enlarging four stores in satisfactory locations, replacing an older store with a new one in a better location, and completely refurbishing nine stores. One store was closed so that at year's end there were 121 Woolworth's, including one cafeteria, in operation in the Federal Republic of West Germany.

Women's wear in the higher price ranges, together with other upgraded lines and grill-type food facilities, will be the hallmark of the German company's dominant stores.

In 1967, the expansion program calls for the opening of eight new stores, enlarging six and improving one, not only in metropolitan downtown locations and suburban areas but in smaller cities as well. In fact, the new modern Wool-

worth's scheduled for the city of Volklingen will be the company's largest store in West Germany when it opens late in 1967.

F. W. Woolworth Co., S.A. de C.V.,  
Mexico

This year the company opened a new dominant store in the heart of Mexico City with 44,500 square feet of sales area, and almost doubled the size of the Tijuana store to make it the largest and most modern retail outlet in that city. Total sales for the year 1966 continued to keep pace with the improving national economy.

F. W. Woolworth Co., S.A. de C.V., now operates 11 stores in Mexico, staffed almost 100 per cent by Mexican personnel, with nine of them managed by Mexican men. From the very beginning, the company has followed the policy of tailoring its merchandise to the specific needs of a growing population with clearly defined tastes. During the past year, a more competitive market among Mexican manufacturers, who supply virtually all merchandise sold in Woolworth's stores, made it possible to accelerate expansion and upgrading of lines most in demand.





*The newest Mexican Woolworth's is located in the heart of the national capital in a large, new building with parking space for 700 cars. Sales area of 44,500 square feet reflects the company's policy of dominance and offers upgraded, expanded lines of special appeal to Mexican customers.*

The new store in Mexico City typifies the company's policy of growth, both as to size and ability to satisfy the demands of its Mexican customers. It incorporates a large restaurant with Taco Bar and Torta Unit, operated by a specialist experienced in making food items that are most popular. The upgraded jewelry department features nationally known Richelieu and Coro brands, offering also a wide array of gold religious jewelry with strong appeal to Mexican tastes. Art goods, sewing notions, cameras, toilet articles, perfumes and upper range women's fashions are in great favor. Parking facilities for 700 cars are provided above the store.

Early in the spring of 1967 the company will open a new store in the heart of Tampico, and other locations are being studied for further expansion. Prospects for 1967 are promising.

#### **F. W. Woolworth and Co., Limited, England**

Encouraged by consumer acceptance of upgraded lines, the British company capitalized on the momentum generated in the preceding year and carried out a program of upgrading merchandise in all departments during 1966.

Displays of related soft goods were created for the larger units. The number in which they are being utilized is growing at a rate that can be continued with uniformity. Many medium size stores have been stocked to serve the soft goods needs of their communities. A typical British family can be clothed completely by Woolworth's in stores that have been modernized to accommodate new and expanded lines of wearables.



British Woolworth's catered to the teenage market in several departments, especially in wearing apparel and "pop" records. In recognition of Great Britain's prominence as a source of musical enthusiasms among youth at home and abroad, selected large stores stock the general trade range of records featuring those well-known performers whom the teenagers demand.

The British company's own brand products, particularly "Winfield," enjoy



The British Woolworth company continued to move strongly toward upgrading of merchandise in all departments, especially with soft goods for medium size stores in communities where needs were apparent.



growing popularity and continue to expand. "Evette" toiletries, priced below competition to suit teenage pockets, is selling well throughout its entire range and additional lines are being added constantly.

The British company pursued its program of expansion during 1966. While nine new stores were opened and two were closed, Woolworth's activities were directed primarily toward modernizing 38 stores with sales results that were substantially beneficial to the units affected. Total number of stores in operation at year-end increased from 1,119 to 1,126. The modernization program will continue, especially the introduction of new fixtures in more stores to increase available selling space, within the building restrictions instituted by the British Gov-

ernment in 1966 that are expected to be in effect for 1967 as well.

British Woolworth's has announced the opening of its first Woolco Department Store in September 1967, at Oadby Hill, a prosperous suburb of Leicester. It is reported to be the largest retail store outside London.

Having successfully pioneered the retail revolution of the variety store some 58 years ago, the British company is carefully choosing its Woolco sites in prosperous and expanding areas with the objective of growing at a rate commensurate with the success of the first units.



"Evette" toiletries, British Woolworth's own brand, are priced especially for the teenage market. Complete range of products is selling so well that additional lines are being added constantly.



## Consolidated Statement of Income and Earned Surplus

For the Years Ended December 31, 1966 and 1965

|                                                                                                                                                                    | 1966                  | 1965                  |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|
| <b>Revenues:</b>                                                                                                                                                   |                       |                       |
| Sales, including sales from leased departments . . . . .                                                                                                           | \$1,573,470,416       | \$1,443,322,466       |
| Other income . . . . .                                                                                                                                             | <u>1,911,201</u>      | <u>4,969,016</u>      |
|                                                                                                                                                                    | <u>1,578,381,617</u>  | <u>1,448,291,482</u>  |
| <b>Cost and expenses:</b>                                                                                                                                          |                       |                       |
| Cost of sales . . . . .                                                                                                                                            | 1,049,040,455         | 959,507,156           |
| Selling, general and administrative expenses . . . . .                                                                                                             | 418,443,007           | 384,530,900           |
| Depreciation and amortization (Note D) . . . . .                                                                                                                   | 35,050,625            | 33,683,678            |
| Interest . . . . .                                                                                                                                                 | 6,771,091             | 7,479,428             |
| Provision for income taxes (Note D) . . . . .                                                                                                                      | <u>28,730,000</u>     | <u>28,060,000</u>     |
|                                                                                                                                                                    | <u>1,540,035,258</u>  | <u>1,413,261,162</u>  |
| Income of consolidated companies . . . . .                                                                                                                         | 37,346,359            | 35,030,320            |
| Equity in income of F. W. Woolworth and Co., Limited, England<br>(Notes A and B) (Net dividends received in 1966, \$17,971,362;<br>\$16,890,192 in 1965) . . . . . | <u>30,154,214</u>     | <u>35,019,801</u>     |
| <b>Net income</b> (Note B) . . . . .                                                                                                                               | 67,700,573            | 70,050,121            |
| Earned surplus at beginning of year . . . . .                                                                                                                      | 520,000,130           | 487,440,827           |
| To restore treasury stock to cost basis . . . . .                                                                                                                  | <u>101,634</u>        | <u></u>               |
|                                                                                                                                                                    | 596,902,337           | 557,490,948           |
| Dividends paid—\$1.00 per share . . . . .                                                                                                                          | <u>20,994,793</u>     | <u>29,110,818</u>     |
| <b>Earned surplus at end of year</b> . . . . .                                                                                                                     | <u>\$ 567,907,544</u> | <u>\$ 528,380,130</u> |
| <b>Net income per share</b> (Note B) . . . . .                                                                                                                     | <u>\$2.34</u>         | <u>\$2.41</u>         |



## Consolidated Balance Sheet

December 31, 1966 and 1965

| Assets                                                                                              | 1966                 | 1965                 |
|-----------------------------------------------------------------------------------------------------|----------------------|----------------------|
| <b>Current Assets:</b>                                                                              |                      |                      |
| Cash . . . . .                                                                                      | \$ 59,001,967        | \$ 82,208,754        |
| Receivables, less allowance for doubtful accounts . . . . .                                         | 35,440,217           | 24,477,532           |
| Merchandise inventories (Note C) . . . . .                                                          | 287,113,780          | 260,241,502          |
| Operating supplies and prepaid expenses . . . . .                                                   | 6,691,551            | 6,374,892            |
|                                                                                                     | <u>388,347,515</u>   | <u>373,302,680</u>   |
| <b>Investments:</b>                                                                                 |                      |                      |
| F. W. Woolworth and Co., Limited, England (Notes A and B) . . . . .                                 | 172,167,070          | 159,985,024          |
| Mortgages, notes receivable and other securities . . . . .                                          | 1,222,255            | 1,124,885            |
|                                                                                                     | <u>173,390,131</u>   | <u>161,109,909</u>   |
| <b>Properties, at cost:</b>                                                                         |                      |                      |
| Land and buildings . . . . .                                                                        | 157,578,005          | 143,105,303          |
| Furniture, fixtures and equipment . . . . .                                                         | 271,194,499          | 255,815,302          |
|                                                                                                     | <u>428,773,184</u>   | <u>398,920,605</u>   |
| Accumulated depreciation (Note D) . . . . .                                                         | <u>140,256,410</u>   | <u>133,592,038</u>   |
|                                                                                                     | <u>288,516,774</u>   | <u>265,328,567</u>   |
| Buildings on leased ground, less amortization . . . . .                                             | 27,047,127           | 28,727,135           |
| Alterations to leased and owned buildings, less amortization . . . . .                              | 86,002,226           | 90,504,505           |
|                                                                                                     | <u>402,566,119</u>   | <u>384,560,207</u>   |
| <b>Intangible Assets</b> , arising in connection with acquisition of a subsidiary company . . . . . | 11,062,737           | <u>11,062,737</u>    |
| <b>Deferred Charges</b> . . . . .                                                                   | 766,741              | 814,788              |
|                                                                                                     | <u>\$976,133,465</u> | <u>\$930,850,321</u> |



| Liabilities and Shareholders' Equity                                                             | 1966               | 1965               |
|--------------------------------------------------------------------------------------------------|--------------------|--------------------|
| Current Liabilities:                                                                             |                    |                    |
| Accounts payable . . . . .                                                                       | \$ 39,164,160      | \$ 34,586,293      |
| Accrued salaries, wages and other liabilities . . . . .                                          | 79,707,155         | 69,696,097         |
| Long-term debt payable within one year . . . . .                                                 | 6,039,062          | 5,795,258          |
| Income taxes . . . . .                                                                           | 9,770,700          | 12,411,189         |
|                                                                                                  | <u>134,681,077</u> | <u>122,488,837</u> |
| Long-term Debt, payable after one year (Note E) . . . . .                                        | 143,677,405        | <u>148,738,723</u> |
| Deferred Income Taxes (Note D) . . . . .                                                         | 31,808,256         | <u>27,202,147</u>  |
| Reserves:                                                                                        |                    |                    |
| Self-insurance to cover fire and flood losses on contents of stores in the U.S. . . . .          | 4,490,969          | 4,483,904          |
| U.S. employees' sick benefits . . . . .                                                          | 300,000            | 300,000            |
| German company employees' pensions (Note F) . . . . .                                            | 1,843,007          | 3,403,660          |
|                                                                                                  | <u>6,723,976</u>   | <u>8,187,564</u>   |
| Shareholders' Equity:                                                                            |                    |                    |
| Capital stock—par value \$3 <sup>1</sup> / <sub>3</sub> per share:                               |                    |                    |
| Authorized—60,000,000 shares                                                                     |                    |                    |
| Issued—29,250,000 shares . . . . .                                                               | 97,500,000         | 97,500,000         |
| Earned surplus (Note B) . . . . .                                                                | <u>567,907,544</u> | <u>528,380,130</u> |
|                                                                                                  | 665,407,544        | 625,880,130        |
| Treasury stock—355,982 shares, at cost; 139,182 shares, at cost less \$901,634 in 1965 . . . . . | 7,933,173          | 1,647,080          |
|                                                                                                  | <u>657,554,471</u> | <u>624,233,050</u> |
|                                                                                                  | \$976,133,469      | \$930,850,321      |



## Summary of Foreign Subsidiaries

|                                                                                   | Consolidated<br>(Note 1) | Unconsolidated<br>(Note 2) | Combined<br>(Note 3) |
|-----------------------------------------------------------------------------------|--------------------------|----------------------------|----------------------|
| <i>At December 31, 1966:</i>                                                      |                          | (In thousands of dollars)  |                      |
| Current assets . . . . .                                                          | \$ 75,569                | \$184,143                  | \$259,712            |
| Properties, net . . . . .                                                         | 112,320                  | 292,545                    | 404,865              |
| Total assets . . . . .                                                            | 187,889                  | 476,688                    | 664,577              |
| Current liabilities . . . . .                                                     | 25,765                   | 82,403                     | 108,168              |
| Other liabilities and reserves . . . . .                                          | 25,314                   | 50,869                     | 76,183               |
| Total liabilities . . . . .                                                       | 51,079                   | 133,272                    | 184,351              |
| Net assets . . . . .                                                              | \$136,810                | \$343,416                  | \$480,226            |
| Company's equity in net assets . . . . .                                          | \$136,810                | \$172,168                  | \$308,978            |
| Company's investments, at cost . . . . .                                          | 29,089                   | 64                         | 29,153               |
| Excess of equity over cost (included in<br>consolidated earned surplus) . . . . . | \$107,721                | \$172,104                  | \$279,825            |
| <i>For the year ended December 31, 1966:</i>                                      |                          |                            |                      |
| Income for the year before charges shown below . . . . .                          | \$ 35,220                | \$117,455                  | \$152,675            |
| Depreciation and amortization . . . . .                                           | 6,166                    | 7,902                      | 14,068               |
| Taxes on income . . . . .                                                         | 13,070                   | 47,959                     | 61,029               |
|                                                                                   | 19,236                   | 55,861                     | 75,097               |
| Net income for the year . . . . .                                                 | \$ 15,984                | \$ 61,594                  | \$ 77,578            |
| Company's equity in net income . . . . .                                          | \$ 15,984                | \$ 30,154                  | \$ 46,138            |
| Company's share of dividends paid . . . . .                                       | 10,295                   | 17,971                     | 28,266               |
| Company's equity in undistributed earnings for the year . . . . .                 | \$ 5,689                 | \$ 12,183                  | \$ 17,872            |

**NOTE 1** Includes the financial statements of all foreign consolidated subsidiaries, the principal ones being located in Canada and Germany.

**NOTE 2** The amounts of properties and related depreciation and amortization of the 52.7% owned unconsolidated subsidiary, F. W. Woolworth and Co., Limited, England, shown above exclude the effect of the appraisal write-up referred to in Note A.

**NOTE 3** The net assets and net income shown above have been reduced by provision for foreign withholding taxes applicable to dividends received or expected to be received from 1966 earnings. No United States income taxes were payable on dividends received from foreign subsidiaries in 1966 because of allowable foreign tax credits; such taxes, if any, on future dividends would be reduced by the applicable foreign tax credit.



## Consolidated Statement of Source and Disposition of Working Capital

|                                                                                                 | Year ended December 31, |                      |
|-------------------------------------------------------------------------------------------------|-------------------------|----------------------|
|                                                                                                 | 1966                    | 1965                 |
| <b>Source of working capital:</b>                                                               |                         |                      |
| Net income for the year (Note B) . . . . .                                                      | \$ 37,700,371           | \$ 70,050,121        |
| Less—Equity in undistributed earnings of British company for the year (Notes A and B) . . . . . | (12,162,079)            | (18,129,609)         |
| Depreciation and amortization (Note D) . . . . .                                                | 73,050,625              | 33,683,678           |
| Provision for deferred income taxes (Note D) . . . . .                                          | 4,606,109               | 5,354,030            |
| Other . . . . .                                                                                 | 407,080                 | 540,456              |
|                                                                                                 | <u>95,661,534</u>       | <u>91,498,676</u>    |
| <b>Disposition of working capital:</b>                                                          |                         |                      |
| Dividends paid . . . . .                                                                        | 28,004,793              | 29,110,818           |
| Property additions, net of disposals . . . . .                                                  | 33,038,737              | 41,558,232           |
| Purchase of shares for treasury . . . . .                                                       | 5,184,449               |                      |
| Reduction in long-term debt . . . . .                                                           | 8,861,118               | 5,530,163            |
|                                                                                                 | <u>92,309,307</u>       | <u>76,199,213</u>    |
| Increase in working capital . . . . .                                                           | 3,352,227               | 15,299,463           |
| Working capital at beginning of year . . . . .                                                  | 210,813,443             | 235,514,380          |
| Working capital at end of year . . . . .                                                        | <u>\$214,170,000</u>    | <u>\$250,813,843</u> |

## Notes to Financial Statements

**NOTE A—Principles of Consolidation and Translation of Foreign Currencies**

The consolidated financial statements include the accounts of the Company and all subsidiaries except F. W. Woolworth and Co., Limited, England, of which the Company owns 52.7% of the outstanding ordinary (voting) shares. This investment is carried in the consolidated financial statements at the Company's equity in the British company's net assets and the Company's equity in the earnings of the British company for the year has been included in consolidated income; to conform with American accounting practice such equity amounts have been computed on a basis which excludes the effect of a 1963 appraisal write-up of the British company's freehold and leasehold properties, a practice which though acceptable for the accounts in England has not gained general acceptance in this country.

A summary of the financial position and net income of the Company's foreign subsidiaries and its equity in their net assets and net income is presented on page 28.

In consolidation, foreign currency accounts have been translated at rates which closely

approximate the free rates of exchange at December 31, 1966, except that properties in Germany and Mexico have been translated at historical rates and properties in Canada acquired prior to May 1962 and related long-term debt have been translated dollar for dollar.

**NOTE B—Restatement and British Taxes** In computing its 1965 corporate income tax provision, the British subsidiary used an estimated rate of 35% but in May 1966 the Government established the actual rate at 40%. Accordingly, the consolidated financial statements for the year ended December 31, 1965 have been restated to give effect to the decrease of \$2,951,200 in the Company's equity in its British subsidiary's earnings resulting from the higher tax rate. Such restatement was reported to shareholders and included in a Registration Statement filed with the U.S. Securities and Exchange Commission in May 1966.

A new British withholding tax of 15% is imposed on dividends paid to the Company after April 6, 1966. Provision in the amount of \$3,939,571 has been made in the consolidated

financial statements for this withholding tax applicable to dividends received or expected to be received from 1966 earnings of the British subsidiary.

**NOTE C—Inventories** All inventories are stated at the lower of cost or market; the cost of merchandise in stores and shoe warehouses is calculated by the retail method of inventory.

**NOTE D—Depreciation and Income Taxes** For income tax purposes depreciation is calculated by the parent Company and Canadian subsidiary using accelerated methods and the parent Company uses the United States Treasury guideline lives for furniture, fixtures and equipment; for financial accounting purposes depreciation is calculated using other rates and the straight-line method. As a result, the amount of depreciation to be claimed on income tax returns exceeds the amount charged to income, and taxes payable for 1966 have been reduced \$4,606,109; 1965, \$5,354,030. This does not affect reported net income because the provision for income taxes includes an amount equivalent to the income taxes deferred.



The investment tax credit for the year amounted to \$1,595,127; 1965, \$1,295,798, and has been included in net income as a reduction of the provision for income taxes. Effective October 10, 1966 the investment tax credit has been suspended by Congress until January 1, 1968.

In 1965 the Company filed a claim for refund of federal income taxes for the year 1962 in the amount of \$4,380,512 resulting from the retroactive adoption for tax purposes of guideline depreciation on furniture, fixtures and equipment for that year; when received, the amount of the refund will be credited to the reserve for deferred income taxes.

**NOTE F - Long-Term Debt.** Long-term debt payable after one year, mainly by the parent Company, is summarized below:

|                           |                      |
|---------------------------|----------------------|
| 4.5% serial notes payable |                      |
| 1968-1974 .....           | \$ 27,500,000        |
| 3.5% notes payable        |                      |
| 1968-1973 .....           | 18,375,000           |
| 3.1% notes payable        |                      |
| 1968-1975 .....           | 24,000,000           |
| 5.0% notes and bonds      |                      |
| payable 1968-1991 .....   | 40,446,016           |
| 5.75% bonds payable       |                      |
| 1968-1990 .....           | 4,084,825            |
| 3.0% to 6.0% mortgage     |                      |
| and note obligations      |                      |
| on real estate,           |                      |
| payable 1968-2001 .....   | 28,111,943           |
| Other .....               | 1,359,621            |
|                           | <u>\$143,877,405</u> |

Payments due on long-term debt during each of the next five years are: 1967, \$6,039,062 (included in current liabilities); 1968, \$8,550,674; 1969, \$8,958,315; 1970, \$7,714,941; and 1971, \$7,823,816.

**NOTE G - Retirement Plans.** The parent Company and its domestic and Canadian subsidiaries have funded non-contributory retirement plans which provide benefits for qualified employees based on earnings and length of service. Certain other employees of the domestic subsidiary are provided benefits under a contributory plan. Provisions for earned benefits are made by payments to insurance companies under annuity contracts and by contributions to trust funds. The principal subsidiary in Germany has noncontributory unfunded pension plans for its officers and employees under which retirement benefits are provided by annual provisions to book reserves based upon contracts with the personnel or percentages of their annual earnings; the reserves are adjusted periodically on the basis of actuarial computations.

The total cost of all retirement plans for the year including amortization of prior service costs, generally over ten to thirty year periods, amounted to \$6,731,475; 1965, \$6,017,644. At December 31, 1966, the actuarially computed value of vested benefits for major plans is more than covered by the assets of the respective retirement plans or the balance sheet pension accrual.

**NOTE H - Stock Options and Employees' Stock Purchase Plans.** On May 18, 1966 the shareholders approved qualified stock option and employees' stock purchase plans for eligible officers and employees of the Company and certain of its subsidiaries.

Under the stock option plan, options for 700,000 shares were approved, of which 521,600 shares have been granted at a price of \$27.75 per share representing 100% of the market price at the date of grant. These options are exercisable on a cumulative annual basis at the rate of 25% per annum beginning March 1967; unexercised options expire five years from the date of grant.

Under the employee stock purchase plan eligible employees may contribute up to 10% of their salary through payroll deductions to a stock purchase fund from which they will be entitled to purchase Company shares on a specified annual date at 85% of the market price of the stock on such date to a cumulative aggregate amount of 500,000 shares.

**NOTE I - Long-Term Leases.** Minimum annual rentals under more than 3,500 property leases in effect at December 31, 1966 amounted to \$71,436,515 which is summarized according to lease expiration periods: 1967-1971, \$8,650,423; 1972-1976, \$16,133,663; 1977-1986, \$36,216,318; 1987-1996, \$7,929,777; and subsequently \$2,506,334. Total rent charged to expense in 1966 amounted to \$75,328,926 including rentals based on a percentage of sales but excluding payments of real estate taxes, insurance and other expenses required under some leases.

## Opinion of Independent Accountants

To the Board of Directors and Shareholders of

F. W. Woolworth Co.

In our opinion, based on our examination and on the reports mentioned below of other independent accountants, the accompanying consolidated balance sheet, the related statement of consolidated income and earned surplus and the consolidated statement of source and disposition of working capital present fairly the financial position of F. W. Woolworth Co. and its consolidated subsidiaries at December 31, 1966, the results of their operations and the supplementary information on working capital for the year, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We did not examine the consolidated financial statements of the subsidiaries of F. W. Woolworth Co. located in Canada, Germany and England, which statements were examined by other independent accountants whose reports thereon have been furnished to us.

New York, N.Y.  
February 14, 1967

PRICE WATERHOUSE & Co.



## Five-Year Summary

|                                                                                   | 1966            | 1965            | 1964            | 1963            | 1962            |
|-----------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Number of stores . . . . .                                                        | 3,166           | 3,160           | 3,129           | 3,108           | 2,529           |
| Number of Kinney<br>leased departments . . . . .                                  | 79              | 30              | 3               |                 |                 |
| Net sales . . . . .                                                               | \$1,573,470,416 | \$1,443,322,466 | \$1,338,365,954 | \$1,183,001,523 | \$1,110,426,876 |
| Depreciation and<br>amortization . . . . .                                        | 35,050,625      | 33,683,678      | 32,002,091      | 30,045,040      | 28,870,220      |
| Taxes on income including<br>taxes deferred . . . . .                             | 28,730,000      | 28,060,000      | 25,270,000      | 21,883,272      | 22,126,422      |
| Equity in income of<br>F. W. Woolworth and Co.,<br>Limited, England (1) . . . . . | 30,154,214      | 35,019,801      | 24,524,640      | 25,331,260      | 24,374,529      |
| Net income (1 & 2) . . . . .                                                      | 67,700,573      | 70,050,121      | 57,793,490      | 51,005,149      | 48,479,311      |
| Per share . . . . .                                                               | 2.34            | 2.41            | 1.99            | 1.75            | 1.67            |
| Working capital . . . . .                                                         | 254,178,080     | 250,813,843     | 235,514,380     | 225,858,330     | 192,574,399     |
| Properties—net . . . . .                                                          | 402,566,319     | 384,560,207     | 376,685,653     | 372,745,936     | 354,874,507     |
| Long-term debt . . . . .                                                          | 143,877,405     | 148,738,723     | 154,268,886     | 168,755,160     | 128,991,292     |
| Shareholders' equity (1) . . . . .                                                | 657,554,371     | 624,233,050     | 583,293,747     | 553,640,714     | 529,078,013     |
| Per share . . . . .                                                               | 22.69           | 21.44           | 20.04           | 19.02           | 18.17           |
| Dividends . . . . .                                                               | 28,994,793      | 29,110,818      | 28,140,457      | 26,442,448      | 24,259,503      |
| Per share . . . . .                                                               | 1.00            | 1.00            | .97             | .91             | .83             |

*Per share amounts reflect the 3-for-1 stock split effected in May 1964.*

*(1) Year 1965 restated. See Note B on page 29.*

*(2) As of January 1, 1962 earned surplus was charged \$4,089,531 to provide for state and local taxes on a full accrual basis for book and tax purposes and \$1,724,123 for exchange loss on net current assets at January 1, 1962 resulting from Canadian devaluation.*



## Directors

ROBERT C. KIRKWOOD  
*Chairman*  
CLIFFORD O. ANDERSON  
EUGENE R. BLACK  
LESTER A. BURCHAM  
FREDERICK L. CHAPLIN  
HERBERT J. COOK  
LESTER F. DAVIS  
HARRY B. FOGERSON  
W. ROBERT HARRIS  
HAROLD H. HELM  
SAMUEL H. HUBER  
ALLAN P. KIRBY  
FRED M. KIRBY  
SEYMOUR H. KNOX  
JAMES T. LEFTWICH  
ALAN B. MUNRO  
FREMONT C. PECK  
JOHN S. ROBERTS  
WALTER E. SAUNDERS  
JOHN E. STROMENGER  
KEITH L. SUMNER  
JAMES R. WEBB  
HENRY R. WILSON  
ROBERT W. YOUNG  
*Honorary Director*  
ALFRED L. CORNWELL

## Officers

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*Chairman of the Board*  
*Chief Executive Officer*  
LESTER A. BURCHAM  
*President*  
JOHN S. ROBERTS  
*Executive Vice-President*  
JOHN E. STROMENGER  
*Vice-President — Merchandising*  
WALTER E. SAUNDERS  
*Vice-President — Construction*  
ROBERT W. YOUNG  
*Vice-President — Personnel*  
HARRY B. FOGERSON  
*Vice-President — Real Estate*  
HAROLD W. BODE  
*Vice-President — Restaurant Operations*  
HENRY R. WILSON  
*Vice-President — International*  
KEITH L. SUMNER  
*Vice-President — Expense*  
JAMES R. WEBB  
*Vice-President and Treasurer*  
W. ROBERT HARRIS  
*Vice-President — Sales Promotion*  
RICHARD I. DALE  
*Vice-President — Public Relations*  
CARYL T. HALLDORSON  
*Secretary and Assistant Treasurer*  
ROBERT G. ZIMMERMANN  
*Comptroller and Assistant Treasurer*  
ROBERT C. HELLER  
*Assistant Secretary and Assistant Treasurer*  
CLAYTON H. VAN BUREN  
*Assistant Secretary and Assistant Treasurer*  
GEORGE W. RAMSEY  
*Assistant Treasurer*  
OLAF H. HAGE  
*Assistant Secretary*

## Policy and Finance Committee

ROBERT C. KIRKWOOD  
*Chairman*  
LESTER A. BURCHAM  
EUGENE R. BLACK  
HERBERT J. COOK  
HAROLD H. HELM  
SAMUEL H. HUBER  
ALLAN P. KIRBY  
FRED M. KIRBY  
SEYMOUR H. KNOX  
JAMES T. LEFTWICH  
FREMONT C. PECK

## Executive Committee

ROBERT C. KIRKWOOD  
*Chairman*  
LESTER A. BURCHAM  
JOHN S. ROBERTS  
LESTER F. DAVIS  
HARRY B. FOGERSON  
W. ROBERT HARRIS  
WALTER E. SAUNDERS  
JOHN E. STROMENGER  
KEITH L. SUMNER  
JAMES R. WEBB  
HENRY R. WILSON  
ROBERT W. YOUNG

## Regional Vice-Presidents

CHARLES M. DALE  
*Northeastern Region*  
JOHN W. LYNN  
*Mid-Atlantic Region*  
C. MILBURN PURDY  
*Southeastern Region*  
HARRY E. DAVIDSON  
*East Central Region*  
JAMES E. PIERCE  
*North Central Region*  
C. WALTON BACKHAUS  
*Midwestern Region*  
FRANK C. KIRKBRIDE  
*South Central Region*  
HUBERT P. SMITH  
*Pacific Region*

## Woolco Department Stores Division

LESTER F. DAVIS, *Vice-President and General Manager*

## Consolidated Subsidiaries

F. W. WOOLWORTH CO., LIMITED, CANADA  
ALAN B. MUNRO, *Vice-President and Managing Director*  
F. W. WOOLWORTH CO., G.m.b.H., GERMANY  
BRUNO WEISS, *Managing Director*  
F. W. WOOLWORTH CO., S.A. de C.V., MEXICO  
LEE S. RANSOPHER, *Vice-President and Managing Director*  
KINNEY SHOE CORPORATION, NEW YORK, N.Y.  
CLIFFORD O. ANDERSON, *President*  
F. W. WOOLWORTH (JAPAN) LTD.  
KUNIO IZUMI, *President*  
FREDERICK J. MICHIE, *Executive Vice-President and Managing Director*  
WOOLWORTH ESPANOLA, S.A.  
THOMAS H. GATO, *President*

## Transfer Agents:

First National City Bank  
399 Park Avenue, New York, N.Y. 10022  
The Northern Trust Company  
50 So. La Salle Street, Chicago, Ill. 60690

## Registrars:

Irving Trust Company  
One Wall Street, New York, N.Y. 10015  
Continental Illinois National Bank  
and Trust Company of Chicago  
231 So. La Salle Street, Chicago, Ill. 60690

**The Shareholders Meeting** The next annual meeting of the shareholders will be held on Wednesday, May 17, 1967. A formal notice of the meeting, together with a proxy statement and form of proxy, will be mailed to each shareholder on or about April 7, 1967, at which time proxies will be requested by the Management.







**F.W.WOOLWORTH CO.**

1966 Annual Report

F. W. WOOLWORTH CO.  
Woolworth Building  
233 Broadway  
New York, N. Y. 10007

*Return requested*